PROGRAM STRUCTURE

OBJECTIVE

The Home Purchase Program provides an opportunity for clients to become homeowners by providing assistance to purchase a modest home. The client is responsible to obtain their portion of project financing, through an approved financial institution if necessary.

FORM OF ASSISTANCE

Clients receive downpayment assistance in the form of forgivable loans to subsidize the cost of purchasing an existing home.

The forgiveness period of the loan is dependent on the amount of assistance being provided.

Home Purchase Program will only be available in Zone A communities to provide support for first-time homeowners.

Clients in Zone B & C communities are encouraged to pursue homeownership through the Homeownership Initiative Program.

The assistance is based on the applicant's income, family size, the community Core Need Income Thresholds (CNIT) as well as the Maximum Construction Cost (MCC) for the Zone the applicant(s) resides in.

The client is responsible to obtain their portion of project financing, through an approved financial institution if necessary.

<u>The Home Purchase Program is not available to applicants who currently own a home anywhere</u>.

Persons with Disabilities

In addition to the assistance provided under the program, the Housing NWT will fund modifications required to improve the accessibility of dwellings for persons with disabilities. The additional assistance is limited to the cost of the accessibility modifications and shall not exceed the maximum assistance available under the Mobility program. The modifications shall be related to the disabled occupant's disability. Where it is not evident that accessibility modifications are related to the disability, confirmation from a qualified expert, physician or physiotherapist, must be obtained.

ENABLING LEGISLATION

Northwest Territories Financial Administration Act

The Housing NWT must operate within the parameters established under the *Financial Administration Act*.

Housing Northwest Territories (HNWT) Act **(R.S.N.W.T. 1988, c. N-1)**

Section 10 (d) Housing NWT may "make grants or loans to individuals, municipalities and other corporate bodies for the purpose of acquiring, constructing or improving housing;"

Section 10 (j) Housing NWT may "prescribe forms of mortgages, agreements and other documents and execute and deliver deeds, grants, conveyances, transfers, releases, discharges or other documents as may be necessary in the conduct of its business;"

POLICY ADHERENCE

The policies developed for the Home Purchase Program are the governing rules that must be adhered to when providing assistance. Policy will override a procedural directive if there is a conflict between the policy and a procedure.

POLICY CHANGES

Any requests for changes to this policy must be submitted on a *Request for Policy Review* Form to the Programs and District Operations Division in Head Office. Housing NWT Executive Committee must approve any changes before taking effect.

PUBLIC PROMOTION

Public notification and promotion of the Home Purchase Program is required as a part of the program delivery process.

DELIVERY PROCEDURES

The Home Purchase Program is to be administered in accordance with the procedures that have been specifically developed for this program (see Home Purchase Program Procedures).

HNWT-IMS

Housing NWT Information Management System (HNWT-IMS) contains copies of all the required forms and agreements required to effectively deliver the Home Purchase Program.

DELIVERY AGENT

Housing NWT is the delivery agent.

ELIGIBLE COMMUNITIES

Assistance is available in Zone A communities in the NWT where land tenure is securable.

RESTRICTED DWELLINGS

Assistance is limited to dwellings that are located within municipal boundaries and have access to a continuous supply of electricity, potable water and heat. Additionally, there is to be a functional sewage containment system.

Only properties deemed for residential use only, will be eligible for assistance.

The following properties are not eligible for assistance:

- Properties where municipal zoning by-laws do not permit residential use; or
- Houseboats, recreational properties or cabins; or
- Properties located outside community boundaries (Appendix B).

CLIENT SELECTION

APPLICATION REQUIREMENT

All applicants are required to complete an application form with a representative from Housing NWT or its designated agent. Applicants are not permitted to complete the application on their own.

CLIENT COUNSELLING

Client counselling is required at all stages during the homeownership application process. It is necessary to provide applicants with relevant information regarding eligibility criteria, assistance levels, eligible project costs, loan security, the Home Purchase Program Agreement and homeowner responsibilities, including the importance of home maintenance.

ELIGIBILITY CRITERIA

Age:
The applicant(s) must be 19 years of age or older.

Residency:
The applicant(s) must have lived in the NWT for three years; with one continuous year in the community of application prior to approval.

The one continuous year in the community requirement may be waived for students returning to their communities upon completion of their studies.

Income:
The income of the applicant (and co-applicant, if applicable) must be below the CNIT for their community as outlined in the CNIT tables to receive a subsidy.

The applicant(s) must have enough income to pay for all costs associated with homeownership including operating & maintenance costs, insurance, land lease fees, property taxes and municipal user fees without spending more than 32% of their gross income.

Applicants whose primary source of income is issued under the *Social Assistance Act* (Income Support/Security/Social Assistance payments) are **ineligible** for the Home Purchase Program.

Arrears:
Applicants cannot have rental or mortgage arrears with any Housing NWT programs.

Credit Worthiness:
Credit reports are required from one credit-reporting agency for each applicant and co-applicant applying for assistance under the Home Purchase Program.

Applicants must have a satisfactory credit report with credit lines being reported as R1, I1, R2 or I2

Applicants with no credit history will still be considered under the Home Purchase Program.

An applicant(s) whose Credit Report indicates "Bankruptcy and/or Consumer Proposal", will not be eligible for Home Purchase Program until three (3) years after the date of discharge and has maintained a Credit Report of R1 and I1.

It is required that both the Gross Debt Service (GDS) ratio and Total Debt Service (TDS) ratio calculations be completed. As per Housing NWT's definition of these ratios, an applicant(s) must have a GDS ratio of less than 32% and a TDS ratio of less than 42%.

Verification of Information
All information on applications is verified for accuracy. Applications are immediately declined if verification does not confirm the information provided by the applicant was truthful.

Housing NWT Employees
The eligibility criteria apply to Housing NWT employees in the same way as other applicants. However, the final eligibility status and confirmation will be determined and issued by the Programs and District Operations Division in Head Office. All approval signatures, technical inspections must be at arm-length from the employee's District or Division. Head Office's Infrastructure Services Section will be responsible for completing or reviewing the technical inspections.

Previous Assistance

Applicants who have received previous homeownership program assistance will not be eligible to receive Home Purchase Program assistance until the previous program assistance has been forgiven for ten years. This includes previous clients who have withdrawn from a Housing NWT program, and/or returned a home to Housing NWT through a quit-claim process, where they received assistance to acquire or build a home. In this case, they will not be eligible for Home Purchase Program for ten years from their original date of forgiveness.

Applicants who have earned the equity contribution through the Homeownership Entry Level Program (HELP) or who have not breached their HELP agreement and are in good standing at the end of their six-month rental term should be referred to District Office.

Beyond Economic Repair

Applicants who have not received previous Housing NWT assistance but who are currently residing in a home that is deemed to be beyond economic repair by the Housing NWT (District Office) may be eligible for Home Purchase Program assistance under the following conditions:

- applicants meet **all** Home Purchase Program eligibility criteria and policies; and,
- has lived in the unit for a minimum of five (5) years; and,
- the cost of addressing Health and Safety issues exceeds the replacement value of the home.

Homes are considered to be Beyond Economic Repair where it has been determined that Health & Safety repairs would not bring the unit to a habitable condition within the Home Repair Program limits.

If the original lot is being used for the new home funded under Home Purchase Program, then the applicants are responsible for finding their own alternative accommodation and all related expenses. Ownership of exiting building must be transferred; the existing building must either be moved or demolished at their expense.

Organizations

Profit or non-profit organizations/businesses are **not** eligible for this Program.

INCOME VERIFICATION

Income verification is required for acceptance into the program and for determining the level of assistance.

The applicants' incomes are verified by using Housing NWT *Verification of Income* (VOI) *Policies & Procedures.*

Only the income(s) of the household member(s) that will be the borrower(s) are verified. Where applicants are married or living in a common-law relationship, both partners would be considered mortgagors or borrowers even if only one partner earns income.

PRIORITIZATION OF APPLICANTS & CLIENT SELECTION

Only Applicants who have met the eligibility criteria are to undergo prioritization.

The annual Home Purchase Program allocation for each community is limited and based upon available funding. Clients are selected according to level of need using Housing NWT Priority Allocation & Selection System (PASS). The use of the PASS is mandatory for the Home Purchase Program.

Assistance must be allocated so that applicants with higher PASS scores receive assistance before those applicants with lower scores. Where two (2) or more applicants receive the same PASS score and due to budget limitations, Housing NWT is unable to approve assistance to all applicants with the same score, the Tiebreaker System is to be applied. (*See Home Purchase Program Procedures for more details.)*

Allocation of assistance is program specific; applicants applying for the Home Purchase Program are not to be compared with applicants applying for other programs when determining priority.

CLIENT APPROVAL

Clients selected for participation in the Home Purchase Program must be given an Approval Letter signed by the District Director.

The letter must state the amount of assistance the client is entitled to receive as well as a deadline in which the client must take action. The deadline cannot exceed 90 days from the date of the approval letter. In exceptional cases, the District Director can extend the approval for an additional 90 days.

TECHNICAL REQUIREMENT

APPRAISALS AND SALE PRICE OF HOME

If a financial institution requires an appraisal to support the sale price, the client or the financial institution will be responsible for these appraisal costs.

ELIGIBLE PROJECT COSTS

Eligible costs include the costs of purchasing an existing home including any applicable sales tax.

Existing homes that are determined by Housing NWT or its agent to be beyond economic repair or do not meet the minimum standard as defined in the *Minimum Standards for Repairs* (see Appendix C – *Home Repair Program* Procedures) are not eligible for purchase. The Home Repair Program cannot be used at the same time with the Home Purchase Program. Clients must have lived in and owned the home for one (1) year before being eligible to apply for Home Repair Program.

The purchase of land alone is not an eligible cost under the Home Purchase Program.

The client should be informed that any project costs greater than their assistance level or any ineligible project cost is their responsibility to pay. For example, such costs may be (but are not limited to) home inspections, sale closing costs, legal fees, appraisals, taxes, fuel adjustment, land lease adjustment, survey costs, and mortgage brokerage fees where applicable.

MANDATORY INSPECTIONS

For existing Housing NWT homes being purchased under the Home Purchase Program, a Condition Rating/Technical Report must be completed by Housing NWT or a designated agent. Any major deficiencies should be documented and discussed with the client. The actual report is an internal document and is not for public release. It will be up to the client to decide what the next steps should be. Any further investigations or remedial actions will at the clients' or current homeowners' expense.

The home selected must, at minimum, meet the suitability requirements for the current family composition (the mortgagors and their dependents) of the client as per National Occupancy Standards.

PROGRAM AGREEMENT

LOAN SECURITY

The client must provide Housing NWT with acceptable security for the loan. In all cases, appropriate land tenure must be secured prior to the advancement of Housing NWT funds for construction-related materials, regardless of assistance level received or loan security required. The two acceptable forms of land tenure are:

1. Leasehold; and,
2. Fee simple.

Program Agreement

The client is required to sign three (3) copies of the Home Purchase Program Agreement. The agreements must be signed by all parties prior to any funds being advanced.

Security

In addition to signing the Home Purchase Program Agreement, the client is required to sign loan security documents as follows:

The loan is to be secured through mortgage registration.

For mortgages, the land on which the unit is located must be unencumbered or represent adequate security for the total amount of the loan. The following forms of security are acceptable:

Fee Simple Titled Land - Where land is owned, the loan is secured by a mortgage. The mortgage is registered at Land Titles against the property until the loan is fully forgiven.

Leased Land - Where the land is leased from a government agency, the loan is secured by a mortgage of lease. The mortgage is registered at the government agency issuing the lease. The term of the lease must extend to a minimum five years beyond the loan period.

The client may apply to convert IAB lands to leasehold interest or fee simple title through the Federal Lands Administration Office. The loan must be secured by a mortgage. The mortgage is registered at either Land Titles or at the government agency issuing the lease (as above).

SIGNATURES

The clients receiving assistance must sign all required documentation before any funds are disbursed.

The names on all mortgage and agreement documents must match those names on the Lease or Fee Simple Title documents.

In situations where clients are married or living common-law, Housing NWT considers the assistance to be given jointly to the client and his/her partner. The mortgage, all agreements, and land documentation must be in both partners' names. Both partners must sign all documents as Joint Tenants. Any documents in one name only must be changed to include both partners' names.

FORGIVENESS

Assistance is provided in the form of forgivable loans that have a maximum amortization period of three (3) years.

The forgiveness period starts from the date of occupancy of the home, this date will then be known as the anniversary date.

Assuming that a client is not in default, determination of loan forgiveness is described below:

- Loans not exceeding **$10,000** will be completely forgiven after one (1) year,
- Loans $10,001 to $20,000 will be forgiven two (2) years from the anniversary date,
- Loans $20,001 to $30,000 will be forgiven there (3) years from the anniversary date.

If a client sells their home during the year or is in default, the preceding anniversary date is used to determine loan forgiveness entitlement. Pro-rating of forgiveness is not permitted.

PRINCIPAL RESIDENCE AND ACCEPTABLE USE

The client(s) must maintain the home as their principal and sole residence for the term of the forgivable loan and mortgage.

The home cannot be for seasonal use or used as a means to generate revenue (rental property).

If the client stops living in the home during the loan period or the home is used for alternative purposes, the client is in default of the agreement and the remaining outstanding balance of the forgivable loan becomes due and payable to Housing NWT.

There are three exceptions to the Principal Residence Policy. These exceptions can be approved by the District Director a case-by-case basis and must be in writing:

- Education leave up to four (4) years;
- Temporary out of town job placement, up to one (1) year; and,
- Extended medical treatment or hospitalization up to two (2) years.

Any requests to waive the principal residency requirement must be made in writing by the client. The request must include supporting documentation that is acceptable to Housing NWT. A request for Education Leave or Job Placement waiver can only be approved once during the loan period. During the waived period of residency, the client is still responsible to ensure that the property is winterized, properly maintained and secured from other damages.

Renting out the unit during an approved leave is permitted; however, the forgivable loan is converted to a monthly payable loan. The amortization period is determined by using the remaining time of the original forgivable loan. No interest charges will be added to the repayable loan. The client must submit a series of post-dated cheques to the District Office for the duration of the waived residency or register for automatic debit.

FIRE INSURANCE

The client is required to carry all risk property insurance for the duration of the forgiveness period for an amount of not less than the replacement cost of the home that is being purchased.

The insurance policy must name Housing NWT as a loss payee.

LIFE AND DISABILITY INSURANCE

All clients are encouraged to obtain mortgage, life, and disability insurance through their insurance company or financial institution.

MOVE-IN

For purchase of an existing home, the client cannot move into the unit until all documents have been signed, funds have been advanced to the Solicitor and the sale has closed.

A Tenancy-at-Will is **not** allowed under HOME PURCHASE PROGRAM.

Prior to move-in, Housing NWT or its delivery agent must also counsel the client(s) on the details of the loan agreement, mortgage terms & conditions, insurance requirements, utilities transfer and all other homeowner responsibilities including the importance of doing preventative maintenance on a regular basis.

PROGRAM ADMINISTRATION

SELLING OF THE HOME

In cases where the home is sold before the loan is completely forgiven, the remaining outstanding balance of the forgivable loan becomes due and payable to Housing NWT.

MORTGAGE POSTPONEMENT

As the maximum term of the loan is three (3) years, no postponement will be granted.

DEFAULT

A client is considered to be in default for failing to comply with the terms of the first or second mortgage, Promissory Note, or program agreement.

Loan forgiveness ceases from the day of default.

In the case of default, the outstanding loan balance becomes due and payable.

FAMILY/MARITAL SEPARATION

In the event of family/marital separation and one of the partners wants to take ownership of the unit and assume the responsibility for the mortgage loan agreement, Housing NWT requires that both partners receive independent legal advice and provide the necessary legal agreements as supporting documentation before transfer of ownership will be considered.

ESTATE AFTER CLIENT'S DEATH

In the case where the loan was given to only one person, upon the death of the single client, the loan balance becomes due and payable. Housing NWT retains its interest in the property.

In cases of marriage and common-law relationships, upon the death of either partner, the surviving partner may remain in the home assuming sole responsibility for the loan agreement and other expenses.

If the surviving partner sells or vacates the home, the remaining outstanding balance of the forgivable loan becomes due and payable to Housing NWT.

In cases where both partners die during the term of the mortgage, the outstanding balance is due and payable from the estate. Housing NWT retains its interest in the property until the outstanding balance of the loan is paid in full.

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